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BEFORE THE ARIZONA CORPORATION COMMISSION

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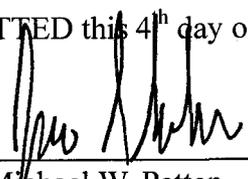
COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

2011 JAN -4 P 4: 04
AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01025A-08-0332
OF AJO IMPROVEMENT COMPANY'S)
APPLICATION FOR APPROVAL OF) **NOTICE OF FILING**
THE 2009 RENEWABLE ENERGY STANDARD,) **COMPLIANCE**
IMPLEMENTATION PLAN)
)

In compliance with Decision No. 70700, Ajo Improvement Company Electric Company ("AIC"), files its 2009 Renewable Energy Standard and Tariff ("REST") Compliance Report and Renewable Energy Credits Confirmation Statement.

RESPECTFULLY SUBMITTED this 4th day of January, 2011.

By 
Michael W. Patten
Jason D. Gellman
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Attorneys for Ajo Improvement Company

Original and thirteen copies of the foregoing
filed this 4th day of January, 2011, with:
Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED
JAN 4 2011

DOCKETED BY 

1 Copy of the foregoing hand-delivered
this 4th day of January, 2011 to:

2 Lyn A. Farmer, Esq.
3 Chief Administrative Law Judge
4 Hearing Division
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Street
7 Phoenix, Arizona 85007

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Ajo Improvement Company

Renewable Energy Standard and Tariff Compliance Report 2009 Compliance Year

December 2010

RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2009

Introduction

Pursuant to Arizona Administrative Code (“A.C.C.”) R14-2-1812, Ajo Improvement Company (“AIC”) submits the AIC 2009 Renewable Energy Standard and Tariff Compliance Report. This report relates to the Ajo Improvement Company REST Plan which was approved by the Commission in Decision 70700 dated January 20, 2009.

Summary

The 2009 AIC REST plan was approved by Decision No. 70700 pursuant to A.C.C. R14-2-1813.

AIC 2009 retail sales were 11,622,519 kWh. This results in a renewable requirement of 232,450 kWh, of which 197,583 kWh is the grid-tied requirement and the remaining 34,868 kWh is the distributed requirement.

Surcharge dollars collected from retail tariffs are used to fund the procurement of renewable energy, incentive payments for customer installed projects, marketing, and administrative costs to administer the REST program. AIC collected \$21,866.74 in EPS and REST surcharges in 2009.

This report contains information as required by A.C.C. R14-2-1812.

The REST Plan

The 2009 REST plan consists of the following programs:

- Procure grid-tied requirements from entities willing to transact at AIC transmission access points.

- Offer incentives up to 60% of cost with a maximum of \$11,000 to customers who install qualified distributed energy projects.

- Raised incentives for solar hot water heaters to \$1.20 per kWh for the kWh saved in the first year.

- Raised incentives for photovoltaic systems to \$4.00/watt for residential systems, and \$3.50/watt for non-residential systems.

- Consider establishing distributed renewable energy generation for AIC operations to meet distributed requirement.

AIC is faced with circumstances unique to AIC in meeting grid-tied and distributed REST requirements. The challenges in meeting its distributed requirement are well documented and will not be repeated here.

AIC is a distribution only utility, and has no direct access to energy markets where renewable energy can be readily procured. There is no available transmission capacity on a year-around basis to AIC's system from markets where renewable energy is transacted and transmitted.

Because of the well documented challenges that AIC has in meeting its distributed requirement and the timeframe to install physical generation, AIC used banked Renewable Energy Credits and purchased Renewable Energy Credits from Morenci Water & Electric Company ("MWE") for compliance year 2009.

Required Elements pursuant to A.A.C. R14-2-1812

1. Actual kWh of energy or equivalent obtained from Eligible Renewable Energy Resources:

Renewable Energy Source	kWh
Biomass Electricity Generator withdrawn from bank	157,448
Renewable Energy Credits purchased from MWE	110,800

2. The kWh of energy or equivalent obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production:

Renewable Energy Source	kWh
Biomass Electricity Generator withdrawn from bank	157,448
Renewable Energy Credits purchased from MWE	110,800

3. The kW of generation capacity, disaggregated by technology type:

Renewable Energy Source	kW
Biomass Electricity Generator withdrawn from bank	2,000

4. Cost information regarding cents per actual kWh of energy obtained from Eligible Renewable Energy Resources and cents per kW of generating capacity, disaggregated by technology type:

Renewable Energy Source	Cents/kWh	Cents/kW
Biomass Electricity Generator withdrawn from bank	7.294	NA
Renewable Energy Credits purchased from MWE	3.648	

5. A breakdown of the Renewable Energy Credits used to satisfy both the Annual Renewable Energy Requirement and the Distributed Renewable Energy Requirement and appropriate documentation of the Affected Utility's receipt of those Renewable Energy Credits:

Annual Renewable Energy Requirement	Annual Renewable Energy Requirement kWh	Distributed Renewable Energy Requirement kWh
Biomass Electricity Generator withdrawn from bank	157,448	0
Renewable Energy Credits purchased from MWE	110,800	0

Attachment 1 is the Renewable Energy Credits Confirmation Statement from MWE confirming the purchase of the Renewable Energy Credits.

6. A description of the Affected Utility's procedures for choosing Eligible Renewable Energy Resources and certification from an independent auditor that those procedures are fair and unbiased and have been appropriately applied.

For the 2009 Compliance year, AIC used banked Renewable Energy Credits and purchased the balance of its requirements from MWE. Because AIC did not solicit renewable energy from the market, an independent audit was not performed.

Planned Projects

AIC has issued a solicitation for renewable projects that could satisfy its grid-tied and distributed renewable energy requirements. Until a project is awarded and constructed, AIC will continue to meet its renewable energy requirements from the market.

In addition, AIC will continue to aggressively market the distributed renewable energy program to its customers.

Attachment 1

Renewable Energy Credits Confirmation
Statement

**Renewable Energy Credit Confirm
between
Morenci Water & Electric Company (MWE)
and
Ajo Improvement Company (AIC)**

This document ("**Confirmation**"), which incorporates Attachment 1 and Appendix A, confirms the terms of a transaction entered into on November 24th, 2009 between Morenci Water & Electric ("**MWE**") and Ajo Improvement Company ("**AIC**") regarding the sale and purchase of Renewable Energy Credits.

Renewable Energy Credits sold and purchased hereunder are more fully described in Attachment 1

Seller: Morenci Water & Electric
Ruel Rogers, Jr. Phone: (928) 865-6971

Purchaser: Ajo Improvement Company
Roy Archer Phone: (520) 387-5010

Product: Renewable Energy Credits (REC) as defined in the Arizona Renewable Energy Standard and Tariff, Arizona Administrative Code R14-2-1803.

Eligible Facility: Biomass credits from El Nido Biomass Power Facility, located at Chowchilla, California.

Contract Quantity: 110,800 credits (1 credit per kWh derived from an Eligible Renewable Energy Resource).

Renewable Energy Credit Price: \$0.037 per credit.

Total Amount Due: \$4,099.60

Trade Date: November 24, 2009

Special Conditions

The terms of this Transaction are confidential, and any information contained in or provided pursuant to this Confirmation is confidential and is intended solely for the Party to whom it is addressed. Each Party agrees to keep confidential all information contained herein, provided to it, discussed or otherwise exchanged between the Parties in relation to this Transaction, except as otherwise mandated by statute, regulation or court order.

Please confirm that the terms stated in this Confirmation accurately reflect the agreement between MWE and AIC by returning an executed copy of this Confirmation to MWE at ().

ACKNOWLEDGED AND AGREED TO:

Morenci Water & Electric

Ajo Improvement Company

By: *Lucl Rogers*

By: *Roy Archer*

Name: *Lucl Rogers*

Name: *ROY ARCHER*

Title: *Superintendent*

Title: *OPERATIONS MANAGER*

Date: *11-24-09*

Date: *11-24-09*

**ATTACHMENT 1
RENEWABLE ENERGY CREDITS**

This Attachment 1 is incorporated into and forms a part of the Confirmation, entered into between Morenci Water & Electric and Ajo Improvement Company, to which it is attached.

1. DEFINITIONS

In the Confirmation, including this Attachment 1, the following capitalized terms, whether in the singular or plural, will have the following meanings:

- (a) "Eligible Facility" means the electricity generating facility(s) as described above and meeting the requirements of the Arizona Renewable Energy Standard and Tariff, Arizona Administrative Code R14-2-1802.
- (b) "Emission Reduction Rights" means all the right, benefit, title and interest related, in whole or in part, to any rights, credits or offsets arising from a reduction in Greenhouse Gas Emissions.
- (c) "Renewable Energy Credit" means a representation of all credits, benefits, and allowances (including Emission Reduction Rights) attributable to the non-energy, environmental attributes, if any, associated with the generation of one kilowatt-hour (kWh) of energy from Eligible Facilities but excludes any tax credits or deductions, incentives, grants or subsidies associated with any Eligible Facility.
- (d) "Greenhouse Gas Emissions" means emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, and any other gas substance that is the subject of the United Nations Framework Convention on Climate Change and subsequent or related protocols, treaties, agreements and instruments.

2. RENEWABLE ENERGY CREDITS

- (a) Seller represents that:
 - (i) only one Renewable Energy Credit was issued for each kWh of energy produced from the Eligible Facility and allocated to the Transaction;
 - (ii) there is no energy associated with the sale of these Renewable Energy Credits;
 - (iii) each Renewable Energy Credit is sold only once;

- (b) Seller will provide verification to ensure that the Renewable Energy Credits purchased and sold hereunder are effectively transferred and credited to Purchaser and Purchaser is able to derive the benefits, if any, available from such Renewable Energy Credits.

3. ATTESTATION/AUDIT

- (a) Seller will provide Purchaser with a Certification of Retirement for the Renewable Energy Credits sold or transferred (signed by Seller or the owner, operator or party entitled to output from Eligible Facilities) which shall verify;
 - (i) The total number of Renewable Energy Credits delivered to Purchaser
 - (ii) The number of Renewable Energy Credits delivered to Purchaser that were generated by each Eligible Facility.

Such letter shall be the instrument that conveys, sells and transfers to Purchaser the Renewable Energy Credits associated with the Renewable Energy to be purchased and sold hereunder.

- (b) Purchaser shall be entitled to obtain an audit, at the sole expense of Purchaser, from a qualified independent third party of the Eligible Facilities and generation records thereof (to the extent that Seller has access to such records) for the purpose of verifying the requirements referred to in items (i) to (ii) inclusive of paragraph (a) above. Purchaser shall give Seller at least 10 days' notice of its wish to obtain such an audit. Any such audit will be at the sole cost of Purchaser.

4. ASSIGNMENT OR TRANSFER

Purchaser may not transfer or assign any of its interest in the Renewable Energy Credits to any third party without the prior written consent of Seller (which will not be unreasonably denied).